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DESALTING THE OCEAN—A NEW INDUSTRY?

SHOES FOR THE TOUGHEST KID ON THE BLOCK

Kenneth Hayes

On March 13 this year Kenneth Hayes, Editor of The Exchange Magazine for near a decade, sent in an article for publication in the Magazine in which he announced his retirement because of poor health. Knowing Ken's devotion to the Magazine, his vitality and love of life, it must have been an extraordinarily difficult document for him to write.

Ken died of a heart attack two weeks later at the age of 61.

"It's never easy to say good-bye," Ken wrote. He added:

"During my tenure as Editor, I never ceased to marvel at the kindness and cooperation of the subscribers. They wrote me letters—most of them friendly and complimentary—by the thousands, and were always willing to respond to a call for cooperation.

"At some considerable time and trouble to themselves, readers told us their favorite common stocks; what they liked particularly about The Exchange, or what they didn't like; how they would invest a specific sum of money; what price level they preferred for their investments; and how often they made new investments."

Ken was right—it's never easy to say good-bye.

But we must say good-bye to Ken—with affection and respect. He was a talented editor, a man with a profound financial background, a gift for writing with clarity and strength. But more than anything else, Ken was a fine person, a fine human being. Ken's friendship was not easily earned—if you had it, it was deep and strong. If he was not your friend, you knew it.

The title of the piece Ken sent to us on March 13 was "Ave atque Vale."

Keith Funston

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DESALTING THE OCEAN— A NEW INDUSTRY?

By Warren Berry
Stock Market Columnist,
New York Herald-Tribune

On a hot day there's nothing a man likes more than a cold beer. A six-ounce glass with a bit of foam on top is a real thirst-quencher. But to make six ounces takes about one quart of water.

It's an innocent, almost insignificant scene: A thirsty man sitting comfortably at home watching a World Series game on TV, sipping his beer and placing the glass back on a paper coaster. But then the statistician starts to analyze the components in this simple act of thirst quenching—and also comes up with some other figures.

A barrel of beer takes 470 gallons of water to make, a ton of steel uses 65,000 gallons and a ton of paper needs 45,000. Just keeping this country going laps up 250,000,000,000 gallons of water—*daily*. By 1970, worried experts assure us, the nation's water requirements will be doubled, possibly tripled.

Where's it all coming from? We ordinary mortals don't sweat about this too much. Our lack of interest is quite natural since we have always taken water for granted. After all, we're mostly water ourselves.

Naturally we know some sections of this well-endowed land are impoverished when it comes to water. The wealth of Texas may be its oil but its lifeblood is water. Its cattle raisers and cotton growers operate in a state where water sometimes is used up twenty times faster than nature can produce it. Occasionally the East

feels a bit parched but not often enough to create a good scare. A Boston water main bursts or a Jersey reservoir suddenly becomes brackish and mud-filled—and the city fathers say no-watering-the-lawn-Tuesdays.

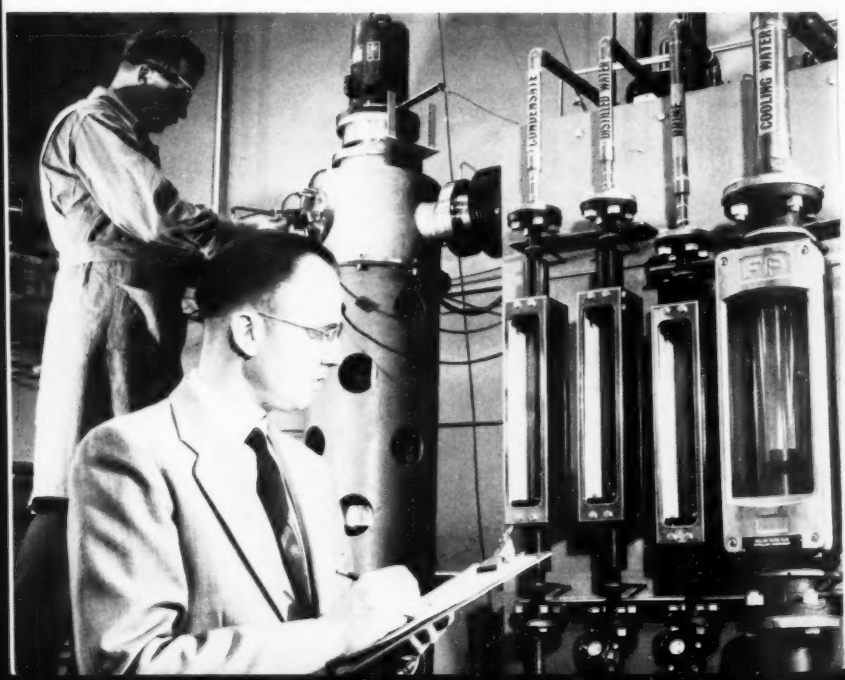
The facts are more important than just beerdrinking, carwashing or keeping the front lawn green. Industry and government are worried, and for good reason. Within ten years, more than 1,000 American cities will be forced to use salt water or the brackish variety for drinking purposes. That's the word from Dr. Arthur Miller who heads the Interior Department's Office of Saline Water.

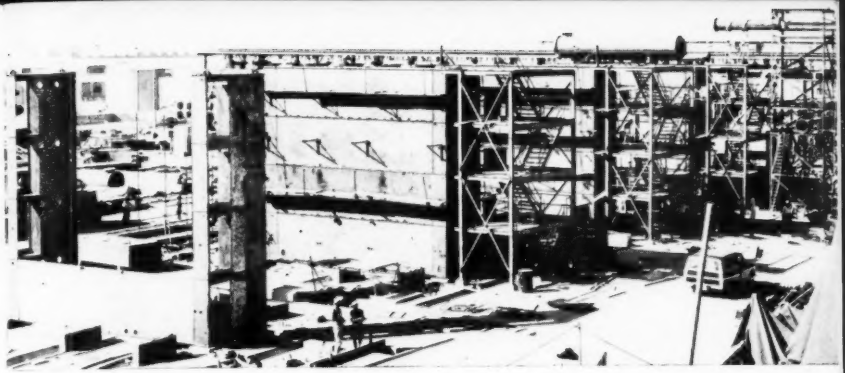
President Kennedy told Congress about it. Vice-President Johnson has written on the subject and most recently a Senate sub-committee has estimated it will take over $50,000,000,000 to keep this country green and growing over the next 20 years.

The twin blotters of irrigation and industry each sop up 45 per cent of the water used daily while the rest spills from household water taps. Since industry is so heavily involved, it's now leading the way with processes for converting saline or brackish liquids. At least twenty-five major companies are engaged in the search.

Some see profits in the future, others aren't so sure, but in general all agree it's necessary work. Making fresh water from the sea or a green-scabbed millpond can be expensive.

Salt water is converted into fresh water in this system developed by General Electric.





Westinghouse Electric desalting unit in Kuwait, shown under construction, supplies over 2½ million gallons of water daily from the Persian Gulf.

The experts would like to produce 1,000 gallons of fresh palatable water for 20 to 40 cents. So far, about the lowest practical level is one dollar.

Caught in the whirlpool American industry is trying evaporation, chemicals, sun power, even freezing, to do the job.

Everyone's heard that dire name, the Dry Tortugas, but down in the Netherlands Antilles the island of Aruba was also faced with a water problem. A New York engineering firm toyed with the project and considered ideas ranging from towing icebergs down from the Arctic to building a $10,000,000 plant. The latter project won out.

Aruba is an island where the calm blue waters are ideal for swimming but even a tourist wouldn't drink seawater. A multi-stage distillation method was chosen from several methods suggested. Essentially it's simple enough: Oil is used as the fuel in heating seawater to boiling, then the pure steam is condensed and out comes fresh water. After being reduced from a 3.5 per cent salt content to less than .0005 per cent, the water is so pure it's tasteless and has to be filtered through coral to give it a bit of flavor.

Distillation seems to be one of the most popular systems now being pursued by American companies. General Electric, Westinghouse and Food Machinery & Chemical are exploring that area. But in a sunny tropical clime why not harness something that's plentiful? Sun-tanned men in white laboratory smocks are doing just that at duPont and Curtiss-Wright where they think solar heat might do the job. It's another evaporation process where salt water drips down a glass-protected, slanted pan. Sun rays cause the fresh water to condense on the glass much like the "steam" on the inside of a window in an overheated room on an over-cold day.

Of course the old idea of a simple filter is always a contender, especially since it's taken on some space age overtones. From the basic idea of forcing salt water through a membrane so that salt particles remain behind, the principle has evolved into an electro-chemical process whereby salt is broken down to its components

leaving behind clear, cool water. A negative electrical charge draws sodium out through a membrane on one side and a positive charge draws chlorine out the other. In the middle of the plastic receptacle, there's nothing but fresh water.

Membranes of many types are taking up the time and money of American Machine & Foundry, Pfaudler Permutit and Rohm & Haas, among others.

Freezing is the hope of several big entries in the field: Fairbanks Whitney, Carrier, and Blaw-Knox. The big test will be a desalting plant Fairbanks is building in Israel.

And the strictly chemical types are attracting attention too. They sometimes use resins which attract salt ions, sometimes solvents for drawing the pure water from the salt. Koppers has landed on gas hydrates for separating the water from the brine. It would be fine if an ocean or two could be changed into drinkable stuff. Or speaking from the strictly human angle, it would be all right if man had a different set of kidneys. The ocean is between 3 and 3½ per cent salt. The human body can dispose of only 2 per cent.

Sweetening the sea becomes important but there's also the problem of reusing available water. The National Association of Manufacturers last year told the Senate Select Committee on National Water Resources that a lot of this effort is up to industry itself. One ultra-modern steel producer, a spokesman said, used only 1,100 gallons to make a ton of metal against the industry average of 65,000 gallons. Some factories now re-

Technician tests desalted water.

circulate and purify the liquids in everything from cooling systems to employe water fountains.

In the field of water treatment, there is Sterling Drug with its Zimmerman method for subtracting sludge and sewage from contaminated waterways. It has a royalty-free arrangement with the Metropolitan Sanitary District of Greater Chicago which helped develop the process. Government cooperation seemed to pay off though. Now it's signed up with the sanitary board of Wheeling, W. Va., for a fifteen-year contract. Chemical companies like Wallace & Tiernan have been concentrating on making money from water treatment too.

Profit-conscious industry and vote-conscious government agree on the magnitude of the problem—no matter which methods prove most practical. There are fears that the United States might become the first major industrial nation to experience a serious water shortage.

To many observers, in short, this problem of water supply is going to make the space race look pallid.

OUR MAN IN SANGAMON COUNTY

OUR man in Sangamon County (Springfield), Illinois, tells us that the local office of a member firm is much busier than it was in 1959, which was a pretty busy year. "Lots of investment interest," he reports.

We were interested in this intelligence because the 1959 Census of Shareowners conducted by the Exchange found the county to be the geographical center of stockholder population. The sampling two years ago reported that 12,500,000 individuals owned a share of American business. The Exchange now estimates this figure unofficially at 15 million. The estimate was made as the Exchange announced it will undertake its fourth nationwide survey this year to measure the growth of shareownership in public corporations since 1959.

The report from our man is not purported to be scientifically accurate, but it does lend a touch of grassroots substance to the more carefully calculated projection of 15 million shareowners made by the Exchange. The projection was supported by recent studies of such factors as past growth, stockholder records of listed companies, the growth of investment companies and other available data.

The forthcoming survey, which will begin in June, will provide a much more precise count of shareowners as of early 1962. It will cover almost 6,000 public corporations, 9,000 different common and preferred stock issues, brokerage firms, banks and investment companies.

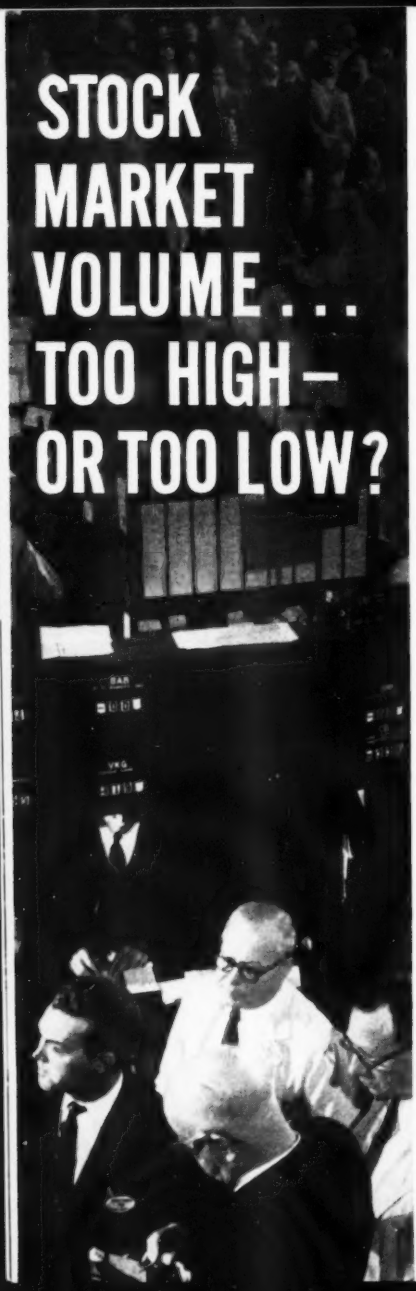
Results are scheduled for publication in the spring of 1962.

The scope of the project can be gauged by the depth of the 1959 census. It found, for example, that women outnumbered men as shareowners by 52.5 per cent to 47.5 per cent and that 4 million housewives were shareowners—the largest single occupational group. It also uncovered data showing the median household income of shareowners was $7,000 and that almost half were in the $5,000 to $10,000 bracket.

If past trends continue, women will have an even more dominant role among the nation's stockholders. In 1952, women represented 49.8 per cent of all shareowners and in 1956 the figure was 51.4 per cent.

By 1980 we might be writing about *our woman* in Sangamon County.

STOCK MARKET VOLUME . . . TOO HIGH— OR TOO LOW?



THE volume of trading on the New York Stock Exchange has increased sharply in the past few months.

Relatively speaking, the figures seem most impressive. Turnover in the first three months of 1961 was the highest in history for a similar period. On a number of days volume amounted to more than 5,000,000 shares and on one notable day—April 4—business topped 7,000,000 shares.

The inevitable comparisons have been made and varying degrees of wonderment have been expressed, not only about the reasons for the increase but at the magnitude of the figures.

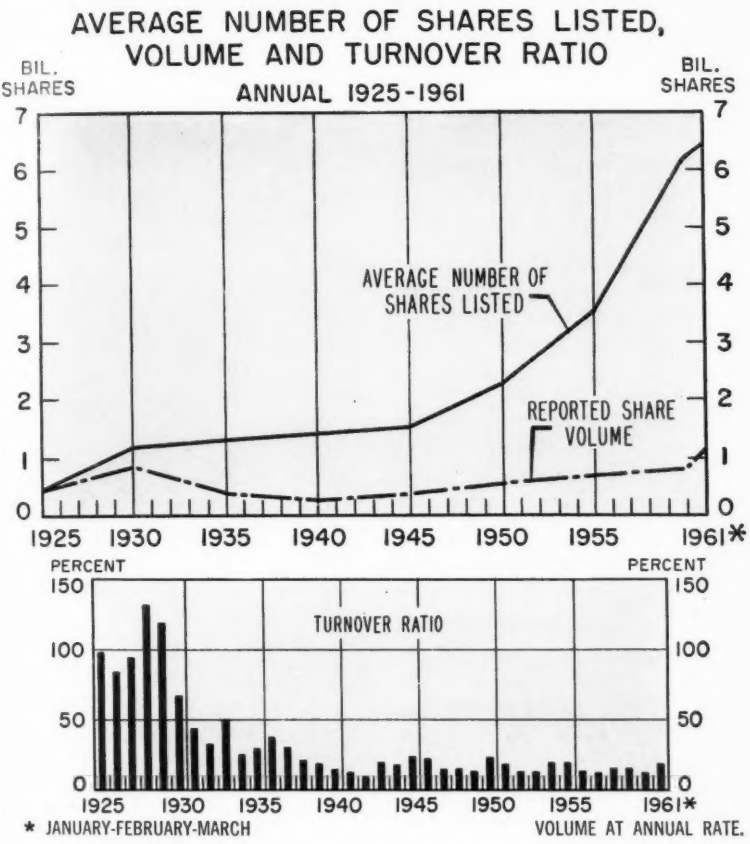
For instance, during the first 62 trading days of 1961 (ended March 31), average daily volume reached 4,837,854 shares, a new record. This compared with 3,042,436 shares for all of 1960 and 4,276,308 shares in 1929, the all-time high for a full year.

Bare statistics, however, can often be misleading. Too many observers have interpreted the volume figures as if the stock market existed in a vacuum.

Recently, George Shea, Financial Editor of *The Wall Street Journal*, put his finger on the problem in revealing terms.

"If comparison is made with the historical past," he commented, "*the surprising part is not that volume is so high now, but that it has remained so low for so long.*"

In short, discussing the current volume in terms of 1929 simply ignores the vast growth shown by virtually every segment of the economy since the late 1920's.



For example, gross national product last year was $503 billion, against $104 billion in 1929. Personal income last year was $404 billion, compared with $86 billion in 1929. The federal budget in fiscal 1929 was $3 billion, today it is $80 billion.

There are no data available on the number of shareowners in 1929 but the estimate of around 15 million shareowners for 1961 is well over double the 6,490,000 reported in the first Exchange survey in 1952.

The increase in the number of individual shareowners — an increase encouraged by an intensive educational program—has contributed to larger volume. In addition, institutional investors, with billions of dollars seeking investment outlets, have assumed an increasingly important role in the market.

There are a number of other vital factors which should be considered

to put the current stock market into clearer perspective. One key figure is the turnover ratio—the relationship between the number of shares listed and the volume of trading.

The average number of shares listed on the Exchange in 1929 was less than a billion. Since then listed shares have expanded almost sevenfold to 6½ billion at the end of February. In 1929, reported volume on the Exchange was 1,124,800,000 shares and the turnover ratio was 119 per cent. In 1928 the turnover ratio was 132 per cent.

In the past 20 years, though, the turnover ratio dropped to a low of nine per cent in 1942 and never exceeded 24 per cent.

Turnover Ratio 19 Per Cent

If the "unusual" rate of trading in the first three months of this year should continue for the full year, the turnover ratio would be only about 19 per cent. An average daily volume of more than 31 million shares would be required to achieve the same turnover ratio recorded for 1929.

In terms of the dollar value of total shares traded, including odd-lots, 1961 will total about $60 billion. This would be less than half of the estimated $125 billion traded in 1929.

Keep in mind that the market value of all listed shares was only about $90 billion at the peak in 1929, compared to almost $348 billion at the end of March.

While the rise in volume so far this year has taken many people by surprise, it may be temporary. It can be reasonably expected, though, that trading will show substantial growth in the years ahead. A 1959 research study by the Exchange came up with some interesting projections:

By 1965 — Volume levels recorded in peak months of 1958 and early 1959 (4.9 million to 5.4 million daily) "should be commonplace within a few years" and "daily volume for several years could easily average 5 to 6 million shares by 1965" if the market "is buoyant in price" and public confidence continues:

By 1970—"Under continuing favorable conditions for the next 10 years, daily volume . . . should average between 5 million and 7.5 million shares:"

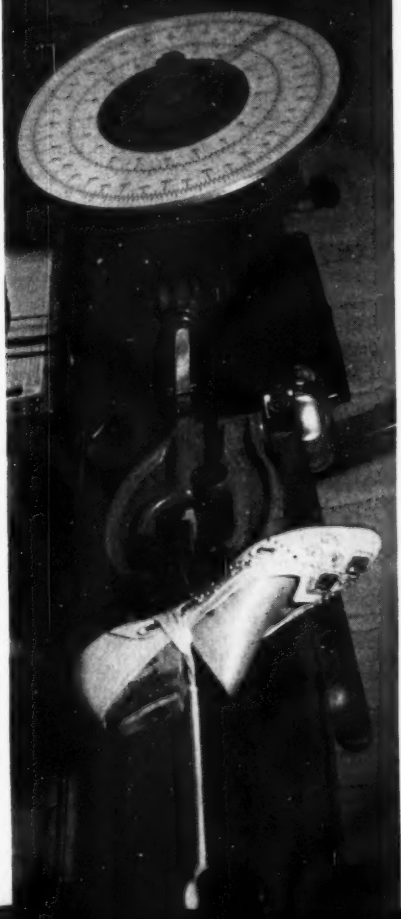
By 1980—"Except under most pessimistic assumptions . . . daily average volume will most assuredly exceed 5 to 6 million shares, and would probably exceed 8 to 10 million in most periods of favorable public interest."

End Product of Growth

The projected growth would, of course, be the end product of the listing of additional companies on the Exchange, wider public interest and education, here and abroad, and a bigger Exchange member firm community serving more people from more offices around the country.

Growing volume, if viewed with these factors in mind, is part of the fabric of a growing, expanding economy—an economy providing more jobs, a higher standard of living and the tools to keep the nation strong for the challenges it faces. A growing securities industry and a highly liquid marketplace can play a vital role in supplying the capital needed to finance the nation's future.

SHOES, TECHNOLOGY AND CHILDREN



by HENRY RAND
President,
International Shoe Company

RESEARCH and children are adding new luster to one of America's oldest and most basic industries—shoes.

The first provides a strong and successful argument in the daily competition for the consumer dollar. The second offers a bursting market for the shoe industry's products; a new crest is being attained each year.

Together, research and children offer a reason why a number of astute forecasters now talk of the growth possibilities in an industry that, on the whole, historically has been recognized for its investment stability.

This would appear to be an almost overbold statement. But I firmly believe that, almost without exception and virtually without regard of brand or company, America's shoes today—dollar for dollar—are a better value, a better fit, contain better materials and workmanship, provide better style, and cost proportionately less on the basis of income than at any time in our history.

I would even go so far as to say that an American spends a smaller percentage of his personal income for a pair of shoes than does an Englishman, an Italian or a Japanese. And, what's more, shoes made in this country are of better quality and material!

The reason: Research!

In these days of rockets, missiles, space probes and satellites, research would almost seem to be the private preserve of such industries as electronics, defense and electrical equip-

Henry H. Rand went to work for International Shoe Co. as a laborer in 1929 after being graduated from Vanderbilt University. In 1955 he was elected president. His activities with International Shoe have ranged all the way from office management to production supervision. Mr. Rand was elected a director of the company in 1945 and a vice-president in 1948. He was in charge of merchandising and production prior to his election to the presidency.

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ment. But it is also true that in this very old shoe industry—well over three and a quarter centuries in our own country—research is constantly turning up new materials, new processes and new products.

I believe it is a sign of the vitality of our free enterprise system that while we are devoting so much of our national effort to military and space requirements, we still are able to develop and improve products designed to raise our standard of living. The development of a "magic heel" lift might be scoffed at by the economic planners in the Kremlin, but this exclusive from the International laboratories has made an awful lot of office-gal-Fridays happy—and richer—because they're not having new lifts on their shoes every week or so. This is just one of the ways a so-called prosaic industry is making life better for Americans through research.

It is only proper to state that research in shoes isn't the private province of International Shoe, nor the American shoe industry. It is the pooling of technological information and developments from thousands of laboratories in scores of countries.

International Shoe laboratories today are probably the largest and most comprehensive in the American shoe industry. That was due to foresight back in the 1920's when International maintained not just one but three laboratories to keep tannery products uniform. Expanded many times since, we combined all but our rubber and textile labs into a separate Research & Development Division in 1958.

The Division's bailiwick runs the gamut from chemical engineering, methods engineering and shoe manufacturing to physical and chemical testing, tanning, hides and adhesives, finishes and shoe materials. Of more than 1,100 different projects and processes undertaken by our Research & Development Division since its inception, more than 200 have been successfully completed and utilized by our company. Among them are the long-wearing toplift materials, conductive nylon cement, liquid box toes and molded shoes.

But International hasn't been researching alone. One of the leading shoe companies boasts a factory which it claims can make a certain type shoe cheaper per unit than the Japanese. Another has developed a quick lasting method that is supposed to save many costly hours. Still another has developed a plastic that will permanently adhere to steel, permitting the manufacture of the slimmest of heels for women's shoes which won't break because of the support by a steel spike.

Often new processes come from

overseas. Right now our research director is on his way to Europe to visit various laboratories and manufacturers to study first-hand new things they have developed. A good method or product will be brought back and often improved upon to a point where we are able to produce a better product, at less cost, than is being made abroad.

Our research takes us into the laboratories of duPont, Firestone, Monsanto, U. S. Steel and dozens of other great companies. Together our research people and theirs develop a new product or process. Research in the shoe industry may not appear too dramatic but it is cutting costs, improving processes and building products for its various markets, especially the market with the greatest growth potential—children's shoes.

Kids Grow Faster

What is particularly intriguing about the children's shoe market is that it has built-in opportunities. First, there are the children themselves, our customers. Between 1950 and 1960, the U. S. population of youngsters soared 43 per cent, to 57 million. And, according to the Department of Commerce, their numbers will increase to perhaps 72 million by 1970.

Second, there is the product, probably as close to the ideal disposable item as you can get. And what's more, it's habit-forming. Our own research tells us that our children's feet are growing faster today, that in their formative years average children are ready for a refitting every eight to nine weeks.

To a shoeman like myself, this means that every shoe dealer in the country has a sales potential in each of his juvenile customers of a minimum of six pairs a year. Already annual per capita consumption of misses' and children's shoes in the U. S. is at an all-time high of 4.49 pairs, compared with 4.41 pairs for women, 1.70 pairs for men.

Couple this with the fact that youngsters grow so rapidly that, as every parent knows, their shoes are too small even before they are outworn. At the same time consider that after the age of six the pattern is reversed, with even quality shoes worn out before they are outgrown. To our industry, this means two things: Demand and opportunity.

We know, too, that while in time of recession the family head will econ-

Spike heel is tested for tensile strength, left; International Shoe President Henry H. Rand, right, watches as computer checks inventory of over 200,000 items.

omize, only the severest crisis ever cuts into expenses for children's shoes. Beyond that, children's shoes constitute the one area of the family budget that defies scrimping. Scant wonder that all shoemen wax enthusiastic about children's shoes.

And nowhere is this sentiment more pronounced than right here at International Shoe headquarters in St. Louis. As the world's largest manufacturer of shoes, we necessarily keep many feet on the ground. Our lines of men's and women's shoes are among the best known and most frequently worn shoes in America. Yet it sometimes surprises even our friends that International is also the nation's largest producer of footwear for young folks. No other manufacturer makes so many different lines of shoes for so many children—from toddlers to teenagers.

The Toughest Kid

Roughly a third of the 55 million pairs of shoes we sold last year were for the children's market. And in looks, wear and acceptance, our juvenile shoe brands—Poll Parrott, Red Goose and Weather Bird—are the footwear of the small fry. In all, we are currently producing children's shoes at the startling rate of about 75,000 pairs a day.

That, you will agree, is a lot of shoe leather. But it is a huge and lucrative market, too, providing unusual potential for the shoe manufacturer who is able to serve it with imagination and quality of product.

A good example here at International is our latest advance in shoes for boys: Our new Unimold Process Shoe, whereby a polyvinyl compound sole and heel are permanently molded to the leather uppers. Result is a handsome shoe with flexible waterproof soles and heels that cannot mar floors, and devoid of sole stitches to tear and rot. Yet so durable are our Unimolds that the soles will actually outlast the uppers. What's more, they're so light and flexible, they require no breaking in. We have already booked orders for 250,000 pairs of these shoes, and by mid-May will have production humming at the rate of 3,600 pairs a day.

Another boon for boys is our new Iscoat leather—genuine leather coated with a layer of polyurethane, making for a well-nigh scuff-proof, indestructible shoe, whose young owners will actually outgrow them before they can outwear them. In fact, Iscoat shoes will be marketed with the apt and accurate slogan, "Built for the toughest kid on the block."

Yet it is interesting to note that for all its vast potential as a profitmaker, this extremely specialized market can be served completely only by a manufacturer of sufficient size and resources. A case in point is the Unimold shoe, made possible only by the availability of new machinery required in its manufacture.

Thus, with new products and processes made possible through creative research, we at International believe we can best satisfy the dynamic children's market—keeping in mind that it is only with perseverance and dedication that youth will ever really be served.

ARE STOCK SPLITS NECESSARY?

A GOOD argument can be made for the theory that stock splits, far from being a mere convenience, are an absolute necessity for a growing and prosperous company.

It is a recognized fact, of course, that investors prefer lower priced shares, and a stock split usually results in wider public ownership of a company's shares. A large supply of stock outstanding, in turn, contributes to maintaining a stable and liquid market in that issue.

Without a large supply of stock, the number of shares available to the public might become so tight that prices would climb beyond the reach of the average investor. For example, one share of General Motors, purchased in early 1920 for around $340 would cost about $5,452 today—without splits. Instead, that one share has been split up into 121.15 shares selling for about $45 each.

This, of course, reflects the growth of GM over the past four decades. In 1920, GM was but one of many companies in a small but growing business; today, it is dominant in a major industry. Investing in the "right" auto company in 1920 was no less difficult than selecting the right space age concern today.

The table below lists 11 companies and shows how 100 shares would have grown as the result of stock splits and stock dividends if held continuously since January 1, 1920. The list is not intended to be all-inclusive, but the companies selected do illustrate the impact of stock splits and dividends.

A company may decide to split its stock to lower the price and broaden the market for the security. GM, for example, had 18,214 shareholders at the end of 1919; today it has 870,000.

Or a company may split its shares because it feels every stockholder is a potential customer and salesman.

Or a company with a high-priced issue may wish to finance growth by selling more stock. The potential market for a new issue would be much greater at $25 a share than at $350.

HOW 100 SHARES OF 11 SELECTED COMPANIES HAVE GROWN SINCE JANUARY 1, 1920

Company	Shares as of Dec. 31, 1960
Aluminum Co. of America	7,200
Atchison, Topeka & Santa Fe Ry. Co.	1,000
Dow Chemical Co.	55,754
General Motors Corp.	12,115
Goodyear Tire & Rubber Co.	2,149
Hercules Powder Co.	9,600
International Business Mach. Corp.	10,302
Minnesota Mining & Mfg.	4,800
Pfizer & Co.	8,775
Standard Oil (N. J.)	13,381
Zenith Radio Corp.	4,800

These 11 companies are among the pace-setters of American industry in terms of splitting their stock, but the field has become crowded in recent years.

In the 11 years since 1950, Big Board companies have split their stock two-for-one or better no less than 525 times. In addition, there have been 120 stock dividends of 25 per cent to 99 per cent and 1,400 stock dividends of less than 25 per cent.

If one of the purposes of these many stock splits and dividends has been to keep the prices of securities low and broaden the market for them, the effort has been largely successful, as the table below, based on prices as of February 28, indicates. The table also shows, of course, that a number of issues are still eligible for a split.

It reveals:

More than three-quarters of the listed common stocks—849—were selling below $50 a share.

Almost 56 per cent were selling between $10 and $40 a share.

Less than one out of ten were sell- at $70 or above.

The largest single group, 218 issues or 19.4 per cent, was in the $30 to $39.99 classification, followed closely by 215 or 19.2 per cent in the $20 to $29.99 bracket.

Looking at it still another way, the median price of all common stocks was $34 a share—there were as many stocks selling below $34 as above.

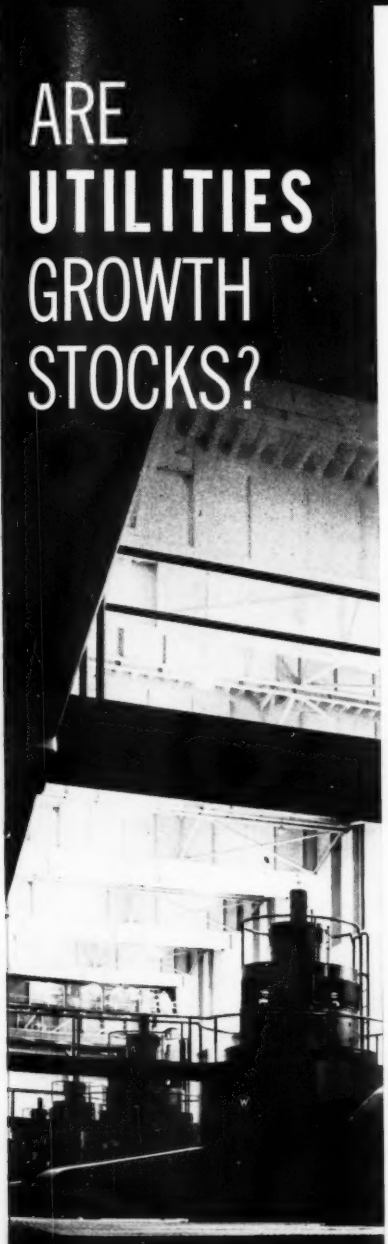
DISTRIBUTION OF COMMON STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE—BY PRICE* PER SHARE CATEGORIES

Price Per Share	Number of Issues		Per Cent of Total	
	Each Group	Cumulative from Lowest Price	Each Group	Cumulative from Lowest Price
Under $10	74	74	6.6%	6.6%
$10—19.99	191	265	17.0	23.6
20—29.99	215	480	19.2	42.8
30—39.99	218	698	19.4	62.2
40—49.99	151	849	13.5	75.7
50—59.99	109	958	9.7	85.4
60—69.99	56	1,014	5.0	90.4
70—79.99	38	1,052	3.4	93.8
80—89.99	22	1,074	2.0	95.8
90—99.99	14	1,088	1.2	97.0
$100 & over	34	1,122	3.0	100.0
Total	1,122		100.0%	

Median Price—$34.

* Based on February 28, 1961 Prices.

ARE UTILITIES GROWTH STOCKS?



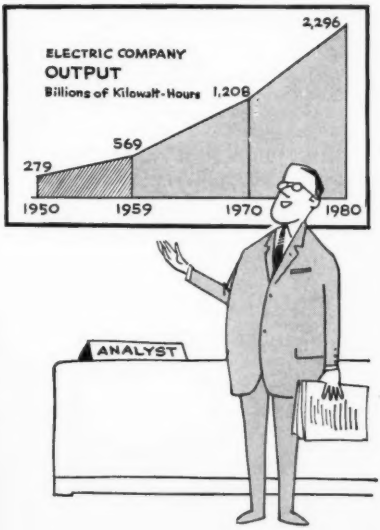
WHAT makes a growth stock? Or, for that matter, what is a growth industry?

These are questions that are likely to drive seasoned securities analysts to chewing their fingernails and possibly put investors into a mild case of shock.

Why? Well, there are really no good clear-cut answers to the questions. One expert may cite low dividend payout and high price-earnings ratio; another may emphasize the proportion of income spent on research and development, the ability of a company to create new products and successfully market them.

One more yardstick, which is pretty generally accepted as a gauge of growth, is heavy spending for expansion of plant and equipment.

Without attempting to pass judgment, there seems to be little question



that some investors—who for many years have considered utilities primarily as a sound investment medium for people seeking steady equity income—are now inclined to rate selected utilities as good growth prospects. One indication of this change in attitude among investors regarding electric and gas utilities is the fact that the Dow-Jones average of utility stocks is currently around 112, highest in more than 31 years. This particular average touched a low for the past decade of 37.4 in 1950.

Planning For 1961

The expansion of the utilities industry in the past decade came in for renewed attention in the past few weeks when the Securities & Exchange Commission and the Department of Commerce issued their annual survey of anticipated spending by U. S. business for plant and equipment in 1961. The report showed that planned capital outlays amounted to $34.6 billion this year, a decline of three per cent from 1960.

But — public utilities scheduled higher outlays this year, the only major industrial group to do so. The survey forecast that 1961 capital spending by public utilities would total $6.2 billion, an increase of 10 per cent over estimated outlays of $5.7 billion last year.

This would be almost double the industry's 1950 capital expenditures —and the total is expected to surge ahead for years to come. From 1950 through 1960, utilities poured some $52.5 billion into new plants and other equipment. The rate of spending, according to authoritative industry estimates, is likely to double by 1970 and again by 1980.

Industry forecasts also put the rate of power output by 1970 at twice that of 1959, while the use of gas is expected to rise by around 35 per cent.

Capital expenditures are a useful yardstick in measuring the growth of almost any company or industry but they are of special significance in the utilities business. This is because rates are determined by federal and state regulatory agencies and are usually set to permit an after-tax return on a company's plant investment of about six per cent, exclusive of bond interest and preferred dividend requirements. As a result, a utility's earning power is directly related to its investment in plant and equipment needed to meet demand.

The table on page 17 shows the 1961 capital spending plans of 30 selected listed utilities compared with estimated expenditures last year. These companies represent about one out of every four utilities listed on the Exchange and were selected as representatives of small, medium and large concerns. In terms of operating revenues, they range from just under $20 million a year to about $550 million.

Spending Cycles

It's worth noting that capital spending by utilities usually runs in cycles of three to four years. Thus a two-year comparison of spending may not show the full picture of a company's growth pattern. Where outlays are down from 1960, it may well be that a large construction program—planned for several years—is nearing completion and the heaviest outlays

are out of the way. It may be a few years before the company moves into the next stage of its expansion program.

Total outlays planned for 1961 by the 30 companies in the table are expected to come to $2,011,738,090, or about 30 per cent of the spending planned by the entire industry. This would be a gain of 7.2 per cent from the estimated $1,875,947,911 these companies spent last year.

The 30 companies selected for this study are not intended to be a statistically accurate sampling of all 114 utilities with stock listed on the Exchange.

Estimates for 1961 spending plans for all listed companies are not yet available. The average increase for these listed companies might or might not top the average for *all* utilities.

CAPITAL SPENDING BY 30 SELECTED ELECTRIC AND GAS UTILITIES

Company	1961 (Planned)	1960 (Estimated)	Per Cent Change
American Natural Gas Co.	$ 68,000,000	$125,000,000	−45.6
Atlantic City Electric Co.	22,770,000	17,900,000	+27.2
Cincinnati Gas & Electric Co.	50,000,000	40,527,155	+23.4
Cleveland Electric Illuminating Co.	38,000,000	23,000,000	+65.2
Columbia Gas System, Inc.	100,000,000	83,000,000	+20.5
Commonwealth Edison Co.	160,000,000	131,383,756	+21.8
Consolidated Edison Co. of N. Y., Inc.	305,000,000	265,000,000	+15.1
Consolidated Natural Gas Co.	70,000,000	58,500,000	+19.7
Consumers Power Co.	98,000,000	106,000,000	− 7.5
Florida Power & Light Co.	85,000,000	78,000,000	+ 9.0
General Public Utilities Corp.	84,000,000	70,000,000	+20.0
Houston Lighting & Power Co.	20,000,000	36,000,000	−44.4
Illinois Power Co.	30,000,000	28,150,000	+ 6.6
Indianapolis Power & Light Co.	12,650,000	18,400,000	−31.3
Iowa-Illinois Gas & Electric Co.	18,000,000	23,915,000	−24.7
Iowa Electric Light & Power Co.	9,800,000	16,000,000	−38.8
Kansas Power & Light Co.	20,000,000	14,300,000	+39.9
Kansas Gas & Electric Co.	10,918,000	21,000,000	−48.0
Long Island Lighting Co.	38,000,000	44,893,000	−15.4
Middle South Utilities, Inc.	108,000,000	81,000,000	+33.3
Montana-Dakota Utilities Co.	12,800,000	8,500,000	+50.6
New York State Electric & Gas. Corp.	25,000,000	30,600,000	−18.3
Northern Natural Gas Co.	85,000,000	58,000,000	+46.6
Orange & Rockland Utilities, Inc.	7,000,000	10,000,000	−30.0
Pacific Gas & Electric Co.	230,000,000	173,000,000	+32.9
Pacific Lighting Corp.	60,000,000	75,000,000	−20.0
South Jersey Gas Co.	2,200,000	2,200,000	—
Southern Co.	173,000,000	173,000,000	—
United Gas Corp.	57,000,000	53,579,000	+ 6.4
United Gas Improvement Co.	11,600,000	10,100,000	+14.9

NEW LISTINGS ARD AEM SD

Standard Pressed Steel Co., Jenkintown, Pa., listed its 2,603,256 common shares ($1 par value) on the Exchange February 27. Opening price was $26. (Ticker Symbol: SDP.)

The company, which has about 5,000 shareowners, was incorporated in 1903 in Pennsylvania.

Standard Pressed Steel and its wholly-owned subsidiaries make high quality precision fasteners and steel furniture and equipment for office, laboratory and shop use. The company is a leader in the fastener field. Its products, which include cap screws, aircraft bolts, structural bolts, hex nuts, lock nuts, spring pins, steel collars and hexagon wrenches, are made in thousands of different types and sizes. They are used in a wide variety of industrial, commercial and consumer goods.

The company conducts research and development work in metallurgy, production technique and product design. Plants are located in Pennsylvania, Ohio, Michigan, California and Tennessee. The company also has been active in the international field since 1935 and has three plants in England and one in West Germany.

Cash dividends have been paid each year since 1926, but the company says it has retained a high percentage of profit to finance growth.

STANDARD PRESSED STEEL CO.

Year	Net Sales	Net Earnings
1960	$84,649,657	$2,602,640
1959	88,860,000	5,169,000
1958	64,754,000	3,806,000
1957	61,740,000	4,804,000
1956	51,647,000	4,178,000

Year	Net Per Share*	Div. Per Share*
1960	$ .97	.31
1959	1.92	.30
1958	1.43	.28
1957	1.81	.23
1956	1.83	.22

Recent Price 24⅝; Yield: 1.3%
Price-Earnings Ratio: 25 to 1

* adjusted for 5% stock dividend and 3½ for 1 split-up in 1956, and 5% stock dividends in 1957, 1958, 1959 and 1960.

American Meter Co., Philadelphia, estimates it is the maker of about half of the more than 30 million gas meters now in use in the United States.

Trading in the company's 732,786 common shares (no par value) began on the Exchange March 7. (Symbol: AEM.) Opening price was $52.

In addition to making gas meters for residential and commercial use, American Meter is a leading manufacturer of measurement and control instruments for gas utility and pipeline companies. Through recent diversification, the company also makes

SDP HWP

52. ..26..... 37¾ .....

a wide range of liquid metering and pumping devices for water, industrial chemicals and petroleum products.

The company operates plants in Philadelphia and Boston, Buffalo and Farmingdale, N. Y.; Erie and Wyalusing, Pa.; Burlingame, Oakland and Fullerton, Calif.; Nebraska City, Neb.; Garland, Tex.; Edmonton, Alberta, and Milton, Ontario. Sales offices are maintained in major cities.

The company, which has about 3,700 shareowners, was incorporated in Delaware in 1916. However, American Meter traces its origins back to 1836, when one of its predecessors started making gas meters.

Cash dividends have been paid every year since 1935.

AMERICAN METER CO., INC.

Fiscal Year	Net Sales	Net Profit
1960	$40,799,953*	$3,219,070*
1959	40,972,098*	3,432,706*
1958	28,163,168	2,030,496
1957	29,152,865	1,968,995
1956	31,749,285	2,314,288

Fiscal Year	Net Per Share	Div. Per Share a
1960	$4.39	$1.90
1959	4.73a	1.90
1958	2.83a	1.90
1957	2.74a	1.90
1956	3.22a	1.86

Recent Price 48¼; Yield: 3.9%
Price-Earnings Ratio: 11 to 1
*Includes Canadian subsidiary
a—adjusted for stock distributions

American Research & Development Corp., Boston, a closed-end investment company, was incorporated in 1946 with the object of making it possible for individuals and institutions to participate in a wide range of venture capital enterprises.

The company's purpose is not merely to invest in the ordinary sense; instead, it seeks to create and develop by taking calculated risks in selected companies which it believes have growth possibilities, aiding them with both capital and management consultation. There are about 5,800 shareowners.

American Research listed its 1,550,000 common shares ($1 par value) March 8. (Symbol: ARD.) Opening price was $35.

From 1946 through July, 1960, American Research made investments in 62 companies. As of last December 31, it had investments in 39 companies, predominantly in selected technological fields. Among these are concerns operating in the electronic, nuclear, missile and aircraft, oil, medical testing equipment, computer and water demineralization fields.

The cost of these 39 investments was $11,148,074, and their worth at market or fair value, as determined by the company's directors, was $30,219,317.

AMERICAN RESEARCH & DEVELOPMENT CORP.

Year-End	Paid In On Outstanding Shares	Total Net Asset Value After Distributions
1960	$19,110,611	$38,875,003
1959	11,107,446	23,459,278
1958	7,357,047	14,795,993
1957	7,357,047	9,822,319
1956	7,357,047	10,811,394

Year	Year-End Net Asset Value Per Share After Distributions*	Per Share Value of Distributions From Capital Gains*
1960	$25.33	.46
1959	19.80	.33***
1958	16.72	.80**
1957	11.10	.53**
1956	12.22	.63**

Recent Price 37⅜; Yield: 1.2%

* adjusted for 3 for 1 split in 1960

** in High Voltage Engineering Corp. at market value on date of distribution

*** dividend from income of $.10 per share paid in addition

Hewlett-Packard Co., Palo Alto, Calif., a leading manufacturer of electronic measuring equipment, began as a two-man, part-time business venture in 1939. Its first "plant" was a backyard garage in a quiet residential section of Palo Alto. In fiscal 1960 (ended October 31), the company had record sales of over $60 million and profit of $4.2 million, also a high; it provides employment for about 3,500 persons and has about 9,000 shareowners.

Trading in 9,859,833 ($1 par value) common shares of Hewlett-Packard started on March 17. Opening price was $37.75 (Symbol: HWP.)

Hewlett-Packard's product line includes some 400 precision instruments used by engineers, scientists and production workers to measure electronic quantities—such as voltage and current—with scientific accuracy. Its divisions manufacture data processing equipment, radar simulator systems, microwave instruments, signal generators, waveguide devices, oscilloscopes, silicon diodes, photo-conductors, transformers and related products.

Research and development expenditures totaled $4 million in 1960 and the company employs a technical staff of over 400.

The company and its divisions and subsidiaries have plants in Palo Alto; Loveland, Colo.; Boonton, N. J.; Pasadena, Calif., and Boeblingen, West Germany. Foreign sales account for about 15% of total volume. No cash dividends have been paid in recent years.

HEWLETT-PACKARD CO.

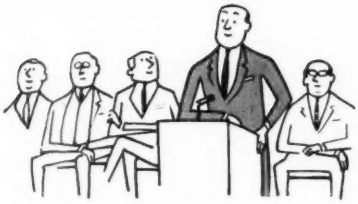
Fiscal Year*	Net Sales	Net Income
1960	$60,206,918	$4,226,645
1959	47,745,073	3,899,941
1958	35,653,353	2,571,952
1957	32,608,235	2,391,782*
1956	23,088,443	2,020,334

Fiscal Year*	Net Per Share**	Div. Per Share
1960	.43	—
1959	.40	—
1958	.26	—
1957	.25	—
1956	.21	0.03

Recent Price 38⅝; Yield: nil
Price-Earnings Ratio: 90 to 1

* ended October 31

** adjusted for 3 for 1 split-up in fiscal 1960



THE VOICE OF THE STOCKHOLDER

IN these days when annual meetings are being held throughout the country, the voice of the stockholder is heard in our land—sometimes approving company policies, often critical, frequently questioning.

All of which raises important questions: How much and what kind of information about his company is a shareowner entitled to receive? And how does he get it?

The main source of information about a company is the annual report, including the president's message to stockholders.

If a stockholder of a company listed on the New York Stock Exchange wants to attend the annual meeting, he has had the opportunity of examining the company's annual report —Exchange rules require the annual report to be distributed to stockholders at least 15 days prior to the annual meeting.

There are no strict regulations governing the contents of an annual report—and THE EXCHANGE is not trying to lay down a set of rules. But it seems reasonable—and this is normally the case with listed companies —that stockholders should be kept informed in these areas:

1. The current trend of sales and earnings.
2. Any major operating problems that may be facing the management.
3. Prospects of any nonrecurring profits or losses.
4. The management's plans for expanding its plants and products.
5. The company's dividend policies.
6. Research and development policies and programs.
7. Any major litigation that is pending by or against the corporation.
8. Any unusual financial matter that the company's independent auditor may have brought to the board's attention in the past six months.
9. Any pending major moves affecting the company's executive personnel, and the status of the corporation's labor relations.
10. The management's intentions, if any, to seek new financing.

Stockholders have any other ideas?

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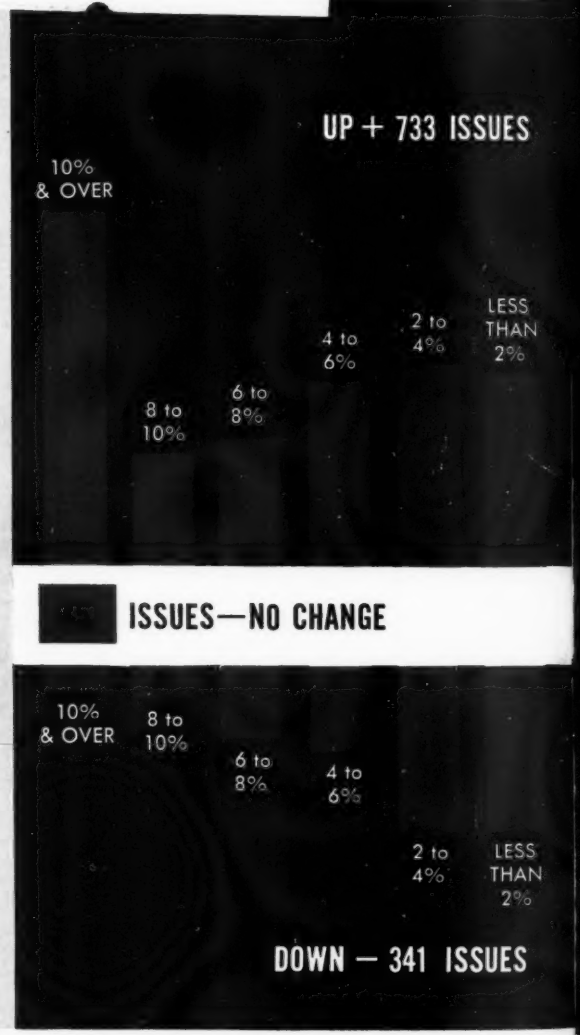
CHANGES IN PRICES OF LISTED COMMON STOCKS

Distribution of 1,119 NYSE Issues By Percentage Price Change in Month Ended MARCH 15, 1961



DOW-JONES 65 - STOCK AVERAGE	
FEB. 15	219.61
MAR. 15	222.77
CHANGE	+1.4%

STANDARD & POOR'S 500-STOCK INDEX	
FEB. 15	61.92
MAR. 15	63.57
CHANGE	+2.7%

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